

Message Text

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PAGE 01 MANILA 13632 181216Z

44

ACTION EA-10

INFO OCT-01 ISO-00 EB-07 RSC-01 /019 W

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R 180900Z NOV 74

FM AMEMBASSY MANILA

TO USDA/FAS WASHDC

INFO SECSTATE WASHDC 8465

UNCLAS MANILA 13632

FOR GRAIN & FEED DIV/FMD AND FCA

SUBJECT: PHILIPPINES TO SUBSIDIZE WHEAT IMPORTS

TOFAS 124.

1. ON NOV. 16 PRESIDENT MARCOS AUTHORIZED A WHEAT SUBSIDY AND DIRECTED THE NATIONAL GRAINS AUTHORITY (NGA) TO UNDERTAKE THE IMPLEMENTATION OF WHEAT IMPORTATIONS UNDER A PROGRAM TO BE DEVELOPED BY NGA. COMPLETE DETAILS ARE NOT AVAILABLE FROM OFFICIAL SOURCES BUT THE FOLLOWING INFORMATION WILL BE CONFIRMED AND EXPANDED ON ASAP.

2. THE SUBSIDY IS APPLICABLE TO IMPORTATIONS FOR THE FIRST SEMESTER OF CY 1975 (JANUARY 1-JUNE 30). THE CURRENT ALLOCATION IS \$68 MILLION. UNDER THE SUBSIDY PROGRAM THE GOVERNMENT WILL FOREGO AN APPROXIMATE \$14.6 MILLION IN DUTIES AND TAXES IN ORDER TO PREVENT ANY INCREASE IN FLOUR PRICES.

3. THE \$14.6 MILLION PRICE REDUCTION IS TO BE ACCOMPLISHED BY HAVING NGA IMPORT THE WHEAT DUTY FREE AND BY WAIVING THE ADVANCE SALES TAX PAYMENT. CURRENTLY MILLS PAY AN IMPORT DUTY OF 10 PERCENT ASSESSED ON 110 PERCENT OF THE FOB VALUE AND AN ADVANCE SALES TAX OF 5 PERCENT ASSESSED ON 125 PERCENT OF THE TOTAL LANDED COST OF IMPORTED WHEAT.

4. ASSUMING THE COST OF WHEAT TO BE \$260 PER LONG TONS LANDED IN MANILA BEFORE THE ASSESSMENT OF IMPORT DUTIES AND SALES TAXES, THE DUTY AND TAX WOULD AMOUNT TO APPROXIMATELY \$45 PER LONG TON.

UNCLASSIFIED

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PAGE 02 MANILA 13632 181216Z

REPORTEDY THIS \$45 WILL BE THE SUBSIDY.

5. ACCORDING TO THE NEWSPAPERS THE SUBSIDY WILL AMOUNT TO 17 PERCENT. OUR CALCULATIONS ARE VERY CLOSE TO THIS AMOUNT. THE \$14.6 MILLION ESTIMATE ASSUMES THAT 325,000 LONG TONS WILL BE IMPORTED AS ORIGINALLY PLANNED.

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Disposition Authority: n/a
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Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
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